

Press Release

Tristar Intermediates Private Limited

May 14, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 16.83 Cr.
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and reaffirmed the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the above mentioned bank facilities of Tristar Intermediates Private Limited (TIPL). The outlook is '**Stable**'.

TIPL, incorporated in 1997, is a Valsad-based company promoted by Mr. Uday Marballi, Mr. Sanjay Marballi, Mr. Ramakrishna Thite and Mr. Debashish Chakraborty. TIPL is engaged in manufacturing and trading of various chemicals such as disperse dye intermediates and ethylene oxide-based products used in solvent dyes, cosmetics, paints, pigments, perfumes and inks. TIPL also undertakes ethoxylation process on job work basis. The company has a factory unit in Valsad (Gujarat).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of TIPL to arrive at the rating.

Key Rating Drivers

Strengths

• **Experienced management with long track record of operations**

TIPL was incorporated in 1997 and has been in the business of manufacturing and trading of various chemicals such as disperse dye intermediates and ethylene oxide-based products used in solvent dyes, cosmetics, paints, pigments, perfumes and inks over the past 2 decades. The company has successfully developed business relations with reputed players like Aarti Industries Limited and Chem O Synth Industries among others. The promoters, Mr. R. N. Thite, Mr. Debasish Chakraborty, Mr. Uday Marballi and Mr. Sanjay Marballi have helped the business grow from a turnover of Rs.52.72 crore for FY2017 to Rs.99.22 crore (Provisional) for FY2019 through their experience in the aforementioned line of business.

Acuité believes that experienced management and long track of operations will help the company in improving their business risk profile over the medium term.

• **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth and debt protection measures and low gearing. The net worth of the company is moderate at around Rs.14.19 crore as on 31 March, 2018 as against Rs.11.44 crore as on 31 March, 2017. The improvement in net worth is on account of equity infusion and accretion to reserves. The company has followed a conservative financial policy as reflected by peak gearing of 0.89 times over the last three years through 2017-18. The gearing of the company stood at 0.89 times as on March 31, 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.79 times as on 31 March, 2018 as against 1.71 times as on 31 March, 2017. The healthy revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained healthy at 3.68 times in FY2018 and 3.32 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.24 times as on 31 March, 2018 as against 0.23 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 2.57 times for FY2018 as against 1.96 times in FY2017.

Acuité believes that the financial risk profile of TIPL will continue to remain moderate over the medium term on account of its improving scale of operations and conservative financial policy.

- **Diversified product range and reputed customer base**

TIPL manufactures intermediate chemicals involving ethoxylation process. These intermediates find application in wide range of products ranging from disperse dyes and intermediates, preservatives and aromatic chemicals. The end users are the cosmetics and paint industries. The company has reputed customers which includes Pidilite, Grauer & Weil, Godrej Ind Ltd, Colorbandetc to name a few. Having a strong customer base has also helped the company in expanding their presence across national boundaries. For FY2019, the company earned 66 percent of their revenue from the domestic market and remaining 33 percent from international markets.

Weaknesses

- **Intensive competition resulting in decline in margins**

TIPL's EBITDA margins are declining from 7.65% in FY2018 to 7.19% in FY2017. The company faces intense competition from other domestic and international players. Increase in competition and the need to increase the market share has resulted in decline of margins for the company from 8.40 percent in FY2016 to 7.65 percent in FY2017 to 7.19 percent in FY2018. Subsequently, PAT margins have increased to 3.14 percent in FY2018 as against 2.63 percent in FY2017 and 3.21 percent in FY2016. The net cash accrual (NCA) margins have improved to 4.36 percent for FY2018 as against 4.02 percent for FY2017.

Acuité believes that sustainability of margins due to increase in competition from other players will be a key monitorable for the medium term.

Liquidity Position

TIPL has adequate liquidity marked by low net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 2.00 – 3.10 crore against debt obligations of Rs.0.35 – 0.50 crore during 2017-18. The cash accruals of the company are estimated to remain around Rs.4.30 – 10.10 crore during 2019-21. TIPL's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 124 in FY2018 as against 133 days in FY2017. This has led to increased reliance on working capital borrowings, the working capital limits in the company remains utilized at 90 percent during the last 12 months period ended February 2019. The company maintains unencumbered cash and bank balances of Rs.0.11 crore as on March 31, 2018. The current ratio of TIPL stands at 1.16 times as on March 31, 2018. TIPL is not likely to incur any major capex in the near to medium future. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of improving cash accruals.

Outlook: Stable

Acuité believes TIPL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenue while achieving sustained improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than-expected growth in revenue and net cash accruals or in case of deterioration in the company's capital structure and working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	70.45	52.71	45.85
EBITDA	Rs. Cr.	5.06	4.03	3.85
PAT	Rs. Cr.	2.21	1.38	1.47
EBITDA Margin	(%)	7.19	7.65	8.40
PAT Margin	(%)	3.14	2.63	3.21
ROCE	(%)	17.16	17.17	20.45
Total Debt/Tangible Net Worth	Times	0.89	0.81	0.67
PBDIT/Interest	Times	3.68	3.32	4.04
Total Debt/PBDIT	Times	2.49	2.30	1.70
Gross Current Assets (Days)	Days	124	133	109

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Feb-2018	Cash Credit	Long Term	9.40	ACUITE BBB-/Stable (Upgraded)
	Standby line of credit	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Term Loan I	Long Term	0.02	ACUITE BBB-/Stable (Withdrawn)
	Term Loan II	Long Term	0.32	ACUITE BB+/Stable (Withdrawn)
	Term Loan III	Long Term	0.72	ACUITE BBB-/Stable (Upgraded)
	Other Loan	Long Term	0.22	ACUITE BB+/Stable (Withdrawn)
	Term Loan IV	Long Term	2.60	ACUITE BBB-/Stable (Assigned)
	Letter of Credit	Short Term	2.50	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	0.75	ACUITE A3 (Upgraded)
24-Feb-2017	Proposed Facility	Long Term	0.36	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BB+/Stable (Reaffirmed)
	Standby line of credit	Short Term	0.50	ACUITE A4+/Stable (Reaffirmed)
	Term Loan I	Long Term	0.02	ACUITE BB+/Stable (Upgraded)
	Term Loan II	Long Term	0.32	ACUITE BB+/Stable (Reaffirmed)
	Term Loan III	Long Term	0.72	ACUITE BB+/Stable (Assigned)
	Other Loan	Long Term	0.22	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
07-Jan-2016	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BB+/Stable (Reaffirmed)
	Standby line of credit	Short Term	0.50	ACUITE A4+/Stable (Reaffirmed)
07-Jan-2016	Term Loan I	Long Term	0.02	ACUITE BB+/Stable (Upgraded)

	Term Loan II	Long Term	0.32	ACUITE BB+/Stable (Reaffirmed)
	Other Loan	Long Term	0.22	ACUITE BB+/Stable (Reaffirmed)
	Letter of Credit	Short Term	1.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Reaffirmed)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.40	ACUITE BBB-/Stable (Reaffirmed)
Standby line of Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3 (Reaffirmed)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	0.72	ACUITE BBB-/Stable (Reaffirmed)
Term Loan IV	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE BBB-/Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3 (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	0.36	ACUITE BBB-/Stable (Reaffirmed)

*Rs.0.50 crore Letter of Credit facility interchangeable with Bank Guarantee.

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About Acuité Ratings & Research:

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